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March 29, 1999

BY HAND

Ms. Magalie R. Salas
Office of Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Room TW-A325
Washington, DC 20554

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MAR 29 1999
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: In the Matter of Universal Service Administrative Company
Report to FCC, Evaluation of the Rural Health Care Program,
CC Docket Nos. 96-45 and 97-21, DA 99-521

Dear Ms. Salas:

Transmitted herewith on behalf of the State of Alaska are an original and six copies of the "Comments of the State of Alaska" in the above-referenced proceeding.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,

Robert M. Halperin
Robert M. Halperin (wdw)

Enclosures

cc: Sheryl Todd (3 copies)
International Transcription Service (1 copy)

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Before the
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Washington, DC 20554

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the Rural Health Care Program)	

**COMMENTS OF THE STATE OF ALASKA ON USAC'S
REPORT "EVALUATION OF THE RURAL HEALTH CARE PROGRAM"**

When Congress passed the Telecommunications Act of 1996, it created an important new universal service program aimed at supporting the provision of telecommunications services to rural health care providers across the Nation. Efforts to implement that program have not been as successful as the Commission and rural health care providers hoped. In its March 5, 1999, report to the FCC entitled, "Evaluation of the Rural Health Care Program," the Universal Service Administrative Company ("USAC") has identified many of the difficult issues that have arisen in implementing Congress's goal, and has presented a variety of recommendations aimed at making the rural health care program operate more smoothly and cost-effectively.

The State of Alaska ("the State" or "Alaska") supports many of USAC's recommendations, but cautions the Commission not to take steps that will further impede achievement of Congress's goals of promoting the use of telecommunications services by rural health care providers across the Nation. In particular, although

the State recognizes the need for a more cost-effective administrative support system, the Commission should not mandate cost reductions that will preclude USAC's ability to process applications and respond to inquiries from rural health care providers and telecommunications carriers in an effective and timely manner.

General Comments

Before we address USAC's specific recommendations, four general points must be made. First, the efforts of USAC and its contractors are to be commended. They have worked tirelessly to implement Congress's and the Commission's instructions for the rural health care program. The difficulties USAC has identified in its report should not be viewed as problems of its own creation; to the contrary, USAC has diligently sought to resolve many complex issues that have arisen in the implementation of this important program, including problems of great importance to Alaskan rural health care providers, such as the cash flow problem the program creates for small local exchange carriers in Alaska. USAC and its contractors have been very responsive to the needs of all those involved in the rural health care program.

Second, USAC suggests that one reason why the demand for reduced rate telecommunications services for rural health care providers has not been as great as the Commission initially estimated may be because the rates for telecommunications services in rural areas may not be significantly greater than the rates for those services in rural areas. The State cannot comment on whether that suggestion is correct in other parts of the country, but it is certainly not true in

Alaska. As set forth in the report (at page 41, n.18), the difference in urban and rural rates in Alaska is significant. Rural health care providers simply could not afford the telecommunications services needed to accomplish Congress's objectives without the support of this program.

Third, one of the requests made by the Commission to USAC was to evaluate anticipated demand for rural health care provider support in 1999. Although Alaska cannot comment on the forecasted support levels with respect to other portions of the country, USAC's forecast for the support to be provided to rural health care providers in Alaska in 1999 appears to be reasonable.¹ Although the State recognizes that its rural health care providers would receive a very large share of the total forecasted amount of support in 1999, this level of support still does not respond to the needs of rural health care providers throughout the State.

Fourth, the benefits of Congress's and the Commission's new universal service programs, particularly in places such as Alaska, are far-reaching. The schools and libraries program and the rural health care program have begun to stimulate the deployment of additional telecommunications infrastructure in rural Alaska, which is likely to lead to lower prices and better telecommunications services for a wide variety of telecommunications users.

¹ The State believes that estimated amounts of support for Alaskan rural health care providers during the first year of the program may be understated. If the issues identified in the report relating to Alaska are resolved, it is likely that additional pending applications will be successfully completed and actual support levels may be two or three times the \$120,000 amount forecasted.

Comments on Specific Recommendations

With respect to each recommendation made by USAC, the State respectfully suggests that the Commission should ask itself, "Will implementation of this recommendation promote accomplishment of Congress's and the Commission's goals for this program in a cost-effective manner, or will it further delay the delivery of needed support to rural health care providers across the Nation?" The State supports, at least in principle, many of USAC's recommendations, but is concerned that, in practice, they may not hasten achievement of the goals of the program.

The State agrees that the administrative processes of obtaining support should be simplified. In particular, the State agrees that Forms 466 and 468 (and the associated worksheet) should be simplified. Requirements for detailed diagramming of circuits have proven confusing and time-consuming to some LECs in Alaska. Rural health care providers throughout the State have often encountered complaints or resistance from telecommunications carriers with respect to this task. Moreover, the information is also of questionable value, particularly when the rate for the service provided is not distance-sensitive.

The State agrees with the recommendation that the first-year funding cycle be extended for a limited period of time to implement reforms that USAC and the Commission deem appropriate and to eliminate the need for rural health care to reapply for support beginning July 1, 1999. Hopefully, the extension will expedite the beginning of funding for many sites because, without it, USAC will be faced with processing two sets of forms at the same time. Any action on this

recommendation should be taken promptly, however, so that efforts that would be undertaken in the next few months to complete those applications can be avoided, if possible.

The State also supports USAC's objective of simplifying the urban-rural rate calculation, but is concerned that simplification could lead to too little support for some rural health care providers or, conversely, too much support for others. In particular, a solution that creates proxy percentage discounts for each state based on average rate differences in that state would be likely to have this problem. Alternative urban-rural rate calculations must, as USAC acknowledges, take into consideration both mileage-related and other factors that lead to higher rural service rates. For example, in Alaska, rates for telecommunications services are often a function of the proximity of a particular community to fiber optic lines or microwave facilities. Proximity to these facilities can be far more important in determining telecommunications service rates than mileage to a larger community. For example, many Alaskan rural communities cannot be reached by land lines or microwave facilities because permafrost, terrain or weather effectively create barriers to laying cable or receiving microwave signals. Thus, comparable services can vary dramatically in price in similarly sized communities depending on the location of these communities.

It is also important from the State's perspective that USAC's outreach programs be continued. USAC recommends additional outreach in Alaska, depending on how certain pending issues that have a significant effect on Alaskan

providers are resolved, because Alaskan rural health care providers "appear to have the largest urban-rural differentials in telecommunications rates for telemedicine." (USAC Report at 37.). The State appreciates the efforts of USAC toward the resolution of various issues that affect Alaska (in particular, the eligible telecommunications carrier requirement issue and cash flow problems created for small local exchange companies), and USAC's outreach efforts to date, and looks forward to continuing to work with USAC to address the need for support in Alaska.

Respectfully submitted,

THE STATE OF ALASKA

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Dated: March 29, 1999

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